

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

----- 020756

R 071618Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3440

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 16435

DEPARTMENT PASS TREASURY FOR SYVRUD

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GERMAN GNP DEVELOPMENTS

1. SUMMARY. THE GERMAN ECONOMY IS STILL NOT SHOWING ANY SIGNS OF AN UPSWING. WE BELIEVE THAT THE UPSWING WILL NOW COME SOMEWHAT LATER AND BE EVEN MORE GRADUAL THAN THE GOVERNMENT PROJECTS. FOR 1975 WE FORESEE A DECLINE IN REAL GNP OF ABOUT 4.4 PERCENT AND FOR 1976 AN INCREASE OF ONLY ABOUT 3.5 PERCENT INSTEAD OF THE 4.5 - 5.0 PERCENT PROJECTED BY THE GERMAN GOVERNMENT. END SUMMARY.

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2. THERE STILL ARE NO SIGNS OF AN ECONOMIC UPSWING IN THE FEDERAL REPUBLIC. WHILE THIRD QUARTER GNP DATA ARE NOT YET AVAILABLE, IT DOES NOT SEEM LIKELY THAT THE QUARTER WILL SHOW ANY SIGNIFICANT GROWTH OVER THE SECOND QUARTER. IF THE THIRD QUARTER IN FACT TURNS OUT TO HAVE BEEN FLAT, FOURTH QUARTER GNP WOULD HAVE TO GROW BY 2 PERCENT IN VOLUME OVER THE THIRD QUARTER (ON A BUNDESBANK SEASONAL ADJUSTED BASIS) IF THE 1975 LOSS IN REAL GNP IS TO BE HELD TO THE MINUS 4.0 PERCENT BELOW 1974 THAT THE GOVERNMENT IS NOW PROJECTING. UNLESS SIGNIFICANT RECOVERY STARTS IN THE FOURTH QUARTER OF THIS YEAR, IT ALSO SEEMS UNLIKELY THAT 1976 REAL GNP WILL REACH THE PLUS 4.5 - 5.0 PERCENT GROWTH RATE CURRENTLY OFFICIALLY PROJECTED BY THE GOVERNMENT.

3. WITH THE ECONOMY CONTINUING TO OPERATE SIGNIFICANTLY BELOW CAPACITY, NO SIZABLE INCREASE IN FIXED PRIVATE NON-CONSTRUCTION INVESTMENT CAN BE EXPECTED EITHER DURING THE FOURTH QUARTER OF 1975 OR DURING MOST OF 1976. THE FEDERAL GOVERNMENT'S AUSTERITY PROGRAM AND FINANCING PROBLEMS OF LOWER LEVELS OF GOVERNMENT WILL LIMIT THE EXPANSION OF BOTH GOVERNMENT CONSUMPTION AND INVESTMENT EXPENDITURES. CONSTRUCTION EXPENDITURES ARE LIKELY TO BE MAINTAINED THROUGH THE GOVERNMENT'S SPECIAL DM 5.75 BILLION PROGRAM WHICH COULD BE SUPPLEMENTED BY ADDITIONAL PROGRAMS IN THE SPRING IF IT SHOULD BECOME APPARENT BY THAT TIME THAT THE ECONOMY IS FAILING TO PICK UP, BUT THE EFFECT OF SUCH ADDITIONAL PROGRAMS DURING 1976 WOULD BE LIMITED.

4. THIS MEANS THAT 1976 ECONOMIC GROWTH MUST COME MAINLY FROM PRIVATE CONSUMPTION, EXPORTS AND INVENTORIES. THERE ARE CHANCES FOR GROWTH IN EACH OF THESE FIELDS. INVENTORIES ARE REPORTEDLY AT A VERY LOW LEVEL. EXPORTS SHOULD BE HELPED--BUT ALSO ARE LIMITED--BY RECOVERY ABROAD. THE SAVINGS RATIO IS ABNORMALLY HIGH AT PRESENT AND MIGHT BEGIN TO RETURN TO MORE NORMAL LEVELS. ON THE OTHER HAND IF EMPLOYERS AND THE

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GOVERNMENT HAVE THEIR WAY, WAGES ARE NOT GOING TO INCREASE SIGNIFICANTLY IN REAL TERMS.

5. UNDER THESE CIRCUMSTANCES WE THINK THAT ON BALANCE IT IS UNLIKELY THAT 1976 WILL SEE THE DEGREE OF CONSUMER AND BUSINESS CONFIDENCE NECESSARY TO ACHIEVE THE GOVERNMENT'S GROWTH PROJECTION. ON STILL RELATIVE OPTIMISTIC ASSUMPTIONS, WE INSTEAD BELIEVE THAT GERMAN

GNP WILL DEVELOP SOMEWHAT MORE ALONG THE FOLLOWING  
LINES:

TABLE A

GERMAN GNP

(PERCENTAGE CHANGES FROM PREVIOUS YEAR,  
SEASONALLY ADJUSTED, CONSTANT 1962 PRICES)

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USMISSION EC BRUSSELS

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 16435

1975      1976

(A) PRIVATE CONSUMPTION	1.9	2.4
(B) GOVERNMENT CONSUMPTION	2.5	1.7
(C) INVESTMENT IN EQUIPMENT		
(PUBLIC AND PRIVATE)	-5.1	2.6
(D) CONSTRUCTION	-11.2	3.4
(E) EXPORTS	-9.7	4.6
(F) IMPORTS	0.1	3.6
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(G) REAL GNP	-4.4	3.5

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(H) (GNP DEFLATOR	(8.4)	(4.5)
(I) (GNP IN CURRENT PRICES)	(4.0)	(8.0)

6. AS TABLE B BELOW INDICATES, OUR PROJECTION ASSUMES THAT THE RECOVERY WILL BE GRADUAL SLOWLY PICKING UP IN SPEED TOWARD THE END OF PERIOD.

TABLE B

GERMAN GNP

(PERCENTAGE CHANGE FROM PREVIOUS HALF YEAR,  
SEASONALLY ADJUSTED, CONSTANT 1962 PRICES)

1975      1976  
2ND HALF   1ST HALF   2ND HALF

PRIVATE CONSUMPTION	0.3	1.4	2.0
GOVERNMENT CONSUMPTION	1.4	1.3	-0.6
INVESTMENT IN EQUIPMENT	1.2	1.2	1.4
CONSTRUCTION	-1.6	3.2	1.9
EXPORTS	0.9	1.7	4.8
IMPORTS	2.8	1.2	2.0
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REAL GNP	0.2	1.8	3.2

7. IMPLICIT IN OUR PROJECTION ARE THE FOLLOWING BALANCE OF PAYMENTS PROJECTIONS (AT CURRENT PRICES).

TABLE C

GERMAN BALANCE OF PAYMENTS  
(DM BILLIONS)

1975      1976

EXPORTS	215	237
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IMPORTS	183	206
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TRADE BALANCE	32	31
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SERVICES	-12	-15
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UNILATERAL TRANSFERS	-18	-18
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CURRENT ACCOUNT BALANCE	2	-2
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8. MORE DETAIL ON THE ABOVE GNP AND BALANCE OF  
PAYMENTS PROJECTIONS WILL BE SUBMITTED BY AIRGRAM.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, GNP, ECONOMIC REPORTS, ECONOMIC ESTIMATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GERMAN GNP DEVELOPMENTS  
**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006